

Comptroller's Directive 2-07
Attachment HE-10
Financial Statement Template

Purpose

To obtain financial statement and footnote information from each higher education institution (HEI*) including blended component units of the HEI. This attachment has a financial statement template (FST) and footnote/informational tabs. It also has a Combining FST and footnote/informational tabs for foundation** information. This is similar to prior year Attachment HE-10.

***HEI** referred to in this attachment is defined as the higher education institution and any blended component units.

****Foundation** referred to in this attachment is defined as a foundation/entity that is a discrete component unit of the HEI as required by GASBS No. 39.

Applicable institutions

All institutions **must** complete this attachment.

Note: The following tabs must be completed by all HEIs: FST, Checklist, TAB 6, TAB 7, TAB 8, and the new Certification tab. The following tabs must be completed by all HEIs that have foundation(s): Combining FST, TAB F6, and TAB F7. The remaining tabs must be completed if the HEI or the foundation(s) have amounts reported on certain line items and/or certain conditions exist.

Due date

September 27, 2007

Certification (new tab)

The **Certification** tab is new for FY 2007, and it requires all preparers and reviewers to type their name on this form. Please note that there should be a segregation of duties; therefore, the preparer and the reviewer should not be the same individual for any tab. By typing a name, the individual is certifying that all tabs of this attachment have been reviewed; the information is both complete and accurate; and the preparer and reviewer were not the same individual for any tab.

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SAS 112

Statement on Auditing Standards No. 112, *Communicating Internal Control Related Matters Identified in an Audit* (SAS 112), states that the identification by the auditors of a material misstatement is an indicator of a control deficiency that should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control. This includes misstatements involving estimation and judgments. Institutions and foundations must ensure controls are in place to avoid material misstatements and/or misclassifications in the Attachment HE-10, Financial Statement Template.

Any foundation included in the CAFR must also meet the reporting requirements outlined in the directive. The HEI is responsible for ensuring the foundations are both aware of and comply with the reporting requirements. As stated in the appendix to SAS 112, one example of a potential material weakness is the failure to obtain timely and accurate consolidating information required for financial statement reporting.

**Submission
requirements**

Contact DOA if the institution has any problems with the files.

After downloading the Excel file, rename the file using the institution's acronym followed by "-FST." For example, VCCS would save the file as VCCS-FST.xls. This file includes the following tabs: FST, Combining FST, Elimination Entries to FST, Checklist, twenty footnote/informational tabs, Certification, and the Revision Control Log.

DOA's e-mail address has changed from the prior year. Submit the Excel file electronically to finrept-HE@doa.virginia.gov.

Copy APA via e-mail to APAFinRept@apa.virginia.gov.

Do not submit paper copies of this spreadsheet.

**Revision
control log -
deleted**

For Attachments HE-2 to HE-8, the revision control log is used to document changes between the first attachment submission and the final attachment submission. As previously discussed, HEIs are required to submit only one complete and accurate Attachment HE-10, Financial Statement Template, and fluctuation analysis explanations by the September 27th due date. Therefore, a revision control log is not included in this attachment.

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Errors discovered after submission

HEIs must ensure that all efforts have been made to submit a complete and accurate template. However, if the HEI discovers an unexpected error in the attachment after the submission, the Fiscal Officer must send an e-mail with the subject line “**Error discovered after HEI template submission**” to: Sharon Lawrence, Director of Financial Reporting, at Sharon.Lawrence@doa.virginia.gov and copy: Doug Page, Assistant Director of Financial Reporting, at Doug.Page@doa.virginia.gov, and Christy Tuck, Senior Financial Reporting Analyst, at Christy.Tuck@doa.virginia.gov, and with the following information:

- Description of the error
- Dollar amount of the error
- Correcting AJE to the FST, Combining FST, and/or Elimination Entries to FST tabs
- Correcting entries to any other footnote/informational tabs
- Cause of the error
- Reason why the error was not discovered prior to the submission

In addition to sending this e-mail, call Sharon Lawrence (804) 225-2414, Doug Page at (804) 225-3136, or Christy Tuck at (804) 225-3180 to verify they received the e-mail and discuss the reporting error. DOA will determine what additional information may be needed.

Financial & administrative management standards

The *Code of Virginia, §2.2-5004 A3*, identifies “substantial compliance with all financial reporting standards approved by the State Comptroller” as an integral part of the financial and administrative management standards. **DOA will evaluate both the timeliness and accuracy of the financial statement directive submissions to help determine whether the higher education institutions have complied with this management standard.**

In prior year’s DOA has found errors in the financial statement template and has either made manual adjustments to correct the submission or required the HEI to submit a corrected attachment. **DOA should not be part of the HEI’s internal controls for discovering reporting errors.** For FY 2007, if any errors are brought to DOA’s attention by the HEI after the September submission **and/or** if DOA finds errors in the financial statement template submission, DOA will evaluate whether or not the HEI is in substantial compliance with the financial reporting standards.

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**Additional
guidance**

See the **Financial Statement Template Preparation for Higher Education Institutions, Additional Guidelines for Preparation of the Financial Statement Template**, and **Combining Financial Statement Template Preparation for Foundation(s)** sections in the Office of the Comptroller's Directive 2-07 for additional guidance in completing this attachment.

Summary of Attachment Changes

**FST line item
changes - HEI**

SNAP line items: The following State Non-Arbitrage Program (SNAP) line items have been removed from the FST because SNAP amounts represent bond proceeds and should be reported on the applicable "restricted" SNAP line items.

- State Non-Arbitrage Program (SNAP) funds
- SNAP Individual Portfolio – Cash Equivalents
- SNAP Individual Portfolio – Investments

New line item to report interest/rebate allocation due from the Commonwealth: A new financial statement template line item has been added to account for the interest/rebate allocations due to the institutions per *Code of Virginia, §2.2-5005*. These amounts will be e-mailed to fiscal officers in late August and should be reported on the new Due from Primary Government (interest/rebate allocations) line item.

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Summary of Attachment Changes, *continued*

**FST line item
changes – HEI,
*continued***

Treasury's Reimbursement Programs – line items: The FST line items have been changed to account for the reporting guidelines for Treasury's reimbursement programs. For more detail on these changes, see the "Higher Education Accounting Procedures" on DOA's website at www.doa.virginia.gov. Click on the "Financial Reporting" link, and then click on "Higher Education Accounting Procedures." Also, the revised Attachment HE-8, Treasury's Reimbursement Programs, provides additional information on the changes. The following is a crosswalk of the change in financial statement template line items:

FY 2006 Financial Statement Template Line Item - Assets	FY 2007 Financial Statement Template Line Item - Assets
Appropriations Available – 21 st Century	Due from Component Units (VCBA 21 st Century)
Due from Primary Government	Due from Component Units (ETF)
Appropriations Available – GOB	Due from Primary Government (GOB)
Appropriations Available – VPBA	Due from Primary Government (VPBA)

FY 2006 Financial Statement Template Line Item - Revenue	FY 2007 Financial Statement Template Line Item - Revenue
State appropriation revenue – 21 st Century	Revenue from VCBA (21 st Century)
Capital Gifts & Grants (ETF) Other Gifts & Grants (ETF)	Revenue from VCBA (ETF)
State appropriation revenue – GOB	Capital Contributions from Treasury (GOB)
State appropriation revenue – VPBA	Capital Contributions from Treasury (VPBA)

**Row numbers
for FST line
items**

The **row numbers for certain FST line items have changed** because of the changes in line items previously discussed. In addition, DOA deleted some FST line items that were for DOA use only. If the row number of the FST line items is important to the conversion of the individually published financial statements to the template line items, you may need to review the FST to see if these changes affect the conversion of this information.

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Summary of Attachment Changes, *continued*

Other changes

- **All tabs – check figures added:** Check figures have been added on all tabs that have cells that show an error message if information is keyed incorrectly. The check figures are displayed in red and they show total amounts that should help to determine why there is an error message. Some check figures will show on the printed document; however, some check figures are seen on the screen but are not within the print area range and will be excluded from the printed document. In addition to check figures, some informational subtotals and amounts have also been included in selected tabs.
 - **New tabs – Calculation of Invested in Capital Assets, Net of Related Debt:** **TABS 9** and **F10** have been added to document the invested in capital assets, net of related debt calculation. Prior year's TAB 7 Part 13 and TAB F7 Part 9 no longer have these calculations.
 - **TABS 2 and F3, Receivables,** have been revised to include an **Interest Receivable** category. Also the Loans Receivable category has been changed to **Loans/Mortgage Receivable**.
 - **TAB 7, Miscellaneous,** the prior year's Part 14, *GASBS No. 46, Net Assets Restricted to Enabling Legislation*, has been removed. A new part 13 has been added to request information regarding **GASBS No. 43, Financial Reporting for Postemployment Benefit Plans Other than Pension Plans (OPEBs)**.
 - **TAB F5, LT Liabilities:** The following information is **no longer needed** for **Parts 1 and 2** regarding bonds or notes payable amounts reported by the foundations: original issue date, original issue \$, interest rates, and maturity date. Also, a **new Part 5** has been added to provide the following for **Long-term Liabilities-Other:** foundation, outstanding balances as of year-end, and description.
 - **TAB F8, Intrafund:** This tab only applies to institutions with foundations that have calendar year-ends. Significant intrafund activity/balances between the institution and foundations (including among the foundations) with calendar year-ends that cannot be eliminated because of the differing year-ends must be provided on this tab. This tab has been revised to provide **foundation** FST line items and amounts that cannot be eliminated (**Part 1**) and to provide the **institution (HEI)** FST line items and amounts that cannot be eliminated (**Part 2**).
 - **TAB F9, Short-term Debt:** The following information is **no longer needed** regarding short-term debt or BANS reported by the foundations: date issued, amount issued, interest rates, expiration/maturity date.
 - **Checklist:** Changes have been made to the checklist tab. This tab must be read prior to completing the attachment and it should be completed after the attachment is complete.
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Financial Statement Template (FST)

FST columns

The HEI must enter amounts in the column titled **“HEI Total Year-End June 30, 2007.”** As noted on page 1, HEI is defined as the higher education institution and any blended component units. **Footnote TABS 1A, 1B, and 2 to 9*** must be completed for amounts reported in this column.

The column **“Foundation(s) Year-End Totals”** is linked to the “Foundation(s) Year-End Totals” column on the Combining FST tab.

The column **“Elimination Entries”** is linked to the “Elimination Entries to FST – Combined Total” column on the Elimination Entries to FST tab.

The **“Combined Total”** column sums the three columns and will be linked to the CAFR with some exceptions. DOA will make certain adjustments to these amounts; therefore, amounts in this column do not always equal the amounts reported in the CAFR.

Fluctuation Analysis - For prior year amounts to appear, the HEI must first select the HEI's acronym from the drop-down list. Once selected, the prior year amounts will appear and the #N/As will disappear. The fluctuation analysis is comparing the current year's HEI and Foundation amounts with the prior year amounts reported to DOA on the FY 2006 Attachment HE-10, FST. Some amounts have been adjusted by DOA and those adjustments will be provided to the HEIs. Two sets of materiality scopes must be calculated. See the [**Additional Guidelines for Preparation of the Financial Statement Template**](#) in the Comptroller's Directive 2-07.

Note*: If applicable, TAB F8, Part 2 must be completed for significant intrafund activity/balance amounts reported in this column that cannot be eliminated because a foundation reported on the Combining FST has a different year-end.

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Financial Statement Template (FST)

Elimination entries

The line items listed below may be used to record significant balance/activity amounts among the HEI and the foundation(s) that must be eliminated. They may also be used for significant balance/activity amounts among the foundations that must be eliminated.

- Due from Foundation(s)
- Due to Foundation(s)
- Due from Higher Education Institution
- Due to Higher Education Institution
- Payments/Support from Foundation(s)
- Payments/Support to Foundation(s)
- Payments/Support from the Higher Education Institution
- Payments/Support to the Higher Education Institution

Any significant intrafund balance/activity amounts recorded on other line items must also be eliminated.

Elimination Entries to FST tab: All significant elimination entries for intrafund balance/activity amounts among the HEI and the foundation(s) must be recorded on the “Elimination Entries to FST” tab. This tab has a column for elimination entries to the HEI amounts and another column for the elimination entries to the Foundation amounts. After entering all elimination entries, ensure there are no “ERROR” messages on this tab or the FST tab. The “Elimination Entries “column on the FST is linked to the “**Elimination Entries to FST – Combined Total**” column in this Elimination Entries to FST tab.

Combining FST tab: All significant elimination entries for intrafund balance/activity amounts among the foundations reported on the Combining FST tab must be reported in the Elimination Entries column on the Combining FST tab.

Any significant intrafund balance/activity amounts not eliminated because the foundation(s) has a December 31st year-end must be reported on TAB F8, Intrafund.

Note: While there is no set definition for significance, the HEI should consider the impact the activity would have on a CAFR user. If the activity would lead a CAFR user to reach an incorrect understanding of the HEI's activity, then it should be eliminated. In instances requiring elimination, it is possible that the amounts reported by the HEI and foundations may not agree exactly. The HEI should use professional judgment to reclassify any residual balances to another line item, as appropriate.

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Combining Financial Statement Template

Columns

The **Combining Financial Statement Template (Combining FST)** is a tab to record foundation financial information. Most HEIs have at least one **foundation**. As stated on page 1, a foundation is defined for this attachment as a discrete component unit of the HEI as required by GASBS No. 39. The Combining FST has up to eight columns that can be used to record foundation amounts. A separate column must be used for each foundation. Record the foundation name, year-end date, and amounts. **Footnote TABS F1 to F10** must be completed for each foundation. The foundation name and year-end date on the footnote tabs are linked to the Combining FST.

The HEI must key amounts in the column titled “**Elimination Entries**” to eliminate significant intrafund balance/activity amounts among the foundations that are reported on the Combining FST. Generally, the elimination entries should not affect the ending net asset balances. Of course, this column does not apply to those HEIs with only one foundation.

The FST is linked to the “**Foundation(s) Year-End Totals**” column.

Calendar year-end

If a foundation has a December 31st rather than a June 30th year-end, the HEI must report the foundation's amounts as of December 31, 2006.

Line items

The line items on the Combining FST mirror the FST except for those that only apply to the HEI. (For example, Appropriations Available, State Appropriation Revenue, etc.)

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GASBS No. 3 & GASBS No. 31 Footnote Information for HEI (TABS 1A, 1B)

Purpose TAB 1A is used to obtain information regarding cash, cash equivalents and investments. TAB 1B is to obtain GASBS No. 31 information.

Definitions For purposes of this Directive, the following definitions apply:

Cash – the standard medium of exchange (paper currency) that must be readily available for the payment of current obligations, and it must be free from any contractual restriction that limits its use in satisfying debts.

Cash Equivalents – instruments or investments of such high liquidity (original maturity of 90 days or less) and low risk that they are virtually as good as cash. Examples are a nonnegotiable certificate of deposit, money market fund, Treasury bill, and monies in the State Non-Arbitrage Program (SNAP) fund*, and the Local Government Investment Pool. Whether an asset is a cash equivalent is determined only once based on the length of the original maturity when the asset is first acquired.

Investments – securities and other assets acquired primarily for the purpose of obtaining income or profit with an original maturity greater than 90 days. This includes securities, which are transferable financial instruments that evidence ownership or creditorship.

Security – generally, an instrument evidencing debt of or equity in a common enterprise in which a person invests on the expectation of financial gain. The term includes notes, stocks, bonds, debentures or other forms of negotiable and nonnegotiable evidences of indebtedness or ownership.

Note*: SNAP Individual Portfolios may include cash equivalents and/or investments depending on what makes up the portfolio. This is why there is a Restricted SNAP Individual Portfolio – cash equivalent and a Restricted SNAP Individual Portfolio – investment line item.

This tab has been revised because the following SNAP line items from the prior year have been deleted from the FST: SNAP Funds, SNAP Individual Portfolio-Cash Equivalents, and SNAP Individual Portfolio-Investments. These line items were deleted because SNAP amounts represent unspent bond proceeds and should be reported on the Restricted line items only.

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GASBS No. 3 and GASBS No. 31 Footnote Information for HEI (TABS 1A, 1B), continued

**Completing
TAB 1A**

Follow the procedures below:

Part No.	Guideline
1	<p>Report the institution's CARS GLA 101 balance by fund, excluding fund 0100. This amount should agree to Cash held with Treasurer of VA line items on the Statement of Net Assets. (Note: General Fund (0100) cash should be classified as appropriation available on the Statement of Net Assets.)</p> <p>If the total amount reported does not equal CARS GLA 101, excluding Fund 0100, submit a reconciliation by fund with the attachment.</p>
2	<p>Amounts for the following line items are linked to the FST.</p> <ul style="list-style-type: none">• Cash not held with Treasurer of Virginia• Restricted Cash not held with Treasurer of Virginia <p>The total of these amounts must be recorded on Attachment HE-10A-detail tab – Part 1a. Attachment HE-10A requires additional footnote information on these line items.</p>
3	<p>The amounts for the following line items are linked to the FST.</p> <ul style="list-style-type: none">• Restricted SNAP Individual Portfolio– Cash Equivalents• Restricted SNAP Individual Portfolio - Investments• Cash Equivalents & Restricted Cash Equivalents not held with Treasurer of Virginia• Investments & Restricted Investments not held with Treasurer of Virginia <p>The total of these amounts must be recorded on Attachment HE-10A-detail tab – Part 3. Attachment HE-10A requires additional footnote information on these line items.</p>

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GASBS No. 3 and GASBS No. 31 Footnote Information for HEI (TABS 1A, 1B), continued

**Completing
TAB 1A**

Follow the procedures below:

Part No.	Guideline
4a & b	Cash Equivalents held with Treasurer of VA and Restricted Cash Equivalents held with Treasurer of VA (excludes SNAP & LGIP): <ul style="list-style-type: none">• Provide descriptions and amounts.
4c & d	Investments held with Treasurer of VA and Restricted Investments held with Treasurer of VA (excludes SNAP): <ul style="list-style-type: none">• Provide descriptions and amounts.
5a & b	For any Local Government Investment Pool (LGIP) and / or Restricted Local Government Investment Pool amounts, provide the LGIP account # and amounts.
6a	For any Restricted State Non-Arbitrage (SNAP) Fund amount, provide the SNAP account # and amounts.
6b	For any amounts reported on the two Restricted SNAP Individual Portfolio line items, provide the SNAP account # and amounts.

**Completing
TAB 1B**

Complete this for all cash equivalents and investments reported on the financial statement template.

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Additional Footnote Information for HEI (TABS 2 through 9)

**TAB 2,
Receivables**

This tab as been revised to add a **new Interest Receivable** category. In addition, the Loans Receivable category has been changed to **Loans/Mortgage Receivable**. Descriptions must be provided for "Other Receivables."

Part 1) Provide the amounts and descriptions for the HEI's receivable footnote.

Part 2) Provide footnote elimination entries to the HEI amount reported on the Elimination Entries to FST tab

"ERROR" messages will appear if the amounts do not agree to the amounts reported on the applicable FST and/or Elimination Entries to FST tabs. Check figures have been added in red to help determine why an "ERROR" message appears.

**TAB 3, Capital
Assets**

Provide the following footnote information for the HEI:

Part 1) Schedule of Changes in Capital Assets

Part 1a) Comparison of Beginning Balances to Prior Year's Ending Balances: This compares the prior year's ending balances to the current year's beginning balances and calculates differences. After selecting the institution's acronym, prior year's ending balances will appear and the #N/As will disappear. The amounts in the Balance July 1, 2006 column are linked to Part 1. The HEI must explain the differences.

Part 2) Capital Asset Capitalization Policy

Part 3) Works of Art/Historical Treasures

Parts 4.1 to 4.3) GASBS No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*: See section titled "TAB 3, Capital Assets: Parts 4.1 to 4.3 for GASBS No. 42" for additional information.

Part 5) This is for **elimination entries** reported on the Elimination Entries to FST tab on the HEI's capital asset line items.

"ERROR" messages will appear if the amounts do not agree to the amounts reported on the applicable FST and/or Elimination Entries to FST tabs. Check figures have been added in red to help determine why an "ERROR" message appears.

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Additional Footnote Information for HEI (TABS 2 through 9), continued

**TAB 5, LT
Liabilities**

This tab provides the following footnote information:

Part 1) Schedule of Changes in Long-Term Liabilities

Part 1a) Comparison of Beginning Balances to Prior Year Ending Balances:
This compares the prior year's ending balances to the current year's beginning balances and calculates differences. After selecting the institution's acronym, the prior year's ending balances will appear and the #N/As will disappear. The amounts in the Balance July 1, 2006 column are linked to Part 1. The HEI must explain the differences.

Part 2) Schedule of Installment Purchase Obligations

Part 3) Schedule of Future Capital Lease Payments & Related Capital Asset Balances

Part 4) Bonds Payable (Institutional Debt)

Parts 5 to 8) These are for **elimination entries** reported on the Elimination Entries to FST tab on the HEI's long-term liability line items.

"ERROR" messages will appear if the amounts do not agree to the amounts reported on the applicable FST and/or Elimination Entries to FST tabs. Check figures have been added in red to help determine why an "ERROR" message appears.

**TAB 6,
Commitments**

This tab provides the following footnote information for the HEI:

Parts 1 and 3) Operating Leases

Parts 2 and 4) Other Commitments

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Additional Footnote Information for HEI (TABS 2 through 9), continued

**TAB 7,
Miscellaneous**

This tab provides the following footnote information for the HEI:

- Part 1) Inventory
- Part 2) Restricted Cash and Cash Equivalents/Restricted Investments/Other Restricted Assets
- Part 3) Unearned Revenue
- Part 4) GASBS No. 20
- Part 5) GASBS No. 33
- Part 6) GASBS No. 38
- Part 7) Contingent Liabilities
- Part 8) Subsequent Events
- Part 9) Flow Assumption for Restricted Resources
- Part 10) Donor-Restricted Endowments
- Part 11a) Other Liabilities*
- Part 11b) Accounts Payable – Other*
- Parts 12a & b) Other Assets & Other Restricted Assets*
- Part 13) GASBS No. 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* (OPEBs)
- Part 14) GASBS No. 47, *Accounting for Termination Benefits*

Note *: “ERROR” messages will appear if certain amounts do not agree to the amounts reported on the FST tab. Check figures have been added in red to help determine why an “ERROR” message appears.

Note: Prior year's Part 13, Calculation of Invested in Capital Assets, Net of Related Debt, has been removed. This calculation must be provided on the new TAB 9, Inv in Cap Assets. Prior year's Part 14, GASBS No. 46, *Net Assets Restricted by Enabling Legislation*, has been removed.

TAB 8, Short-term Debt

This tab is to provide the detail for short-term debt activity during the year with a party **external** to the Commonwealth. This is a footnote disclosure required by GASBS No. 38.

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Additional Footnote Information for HEI (TABS 2 through 9), continued

**TAB 9, Inv in
Cap Assets**

This new tab is to document the calculation of the invested in capital assets, net of related debt amount. This is a net asset line item and is calculated as follows: Total capital assets less debt related to capital assets plus unspent debt proceeds plus unamortized bond issuance expenses. Below is a simple example of how to calculate this amount using the following information: total capital assets of \$10,000,000; bonds payable related to the construction of a building that total \$5,000,000, unspent bond proceeds reported as restricted cash related to this debt of \$2,000,000; and unamortized bond issuance expense of \$20,000.

Total Capital Assets (linked)	\$10,000,000	
Less: Bonds Payable (linked)	-5,000,000	*
Add: Unspent Bond Proceeds	2,000,000	*
Add: Unamortized Bond Issuance Expense	20,000	
Invested in Capital Assets, Net of Related Debt	<u>\$7,020,000</u>	

Note*: The difference between the bonds payable and the unspent bond proceeds of \$3,000,000 should represent the bond proceeds that have already been spent and included in the total capital asset amount as construction in progress.

The total capital asset and the debt amounts are linked to the FST. Since the total debt amounts are linked to the FST and will show as a negative amount, any of the debt amounts that are not related to capital assets must be recorded as a positive amount to exclude from the calculation. Unspent bond proceeds and unamortized bond issuance expense** on debt related to capital assets must be included in the calculation as positive amount. Short-term debt (i.e. lines of credit)** is not linked to the FST; therefore, any Short-term Debt (i.e. lines of credit) related to capital assets must be included in the calculation as a negative amount.

Some HEIs have eliminations entries that affect capital asset and/or debt line items. If the HEI has elimination entries that affect these line items, the second column is to document the calculation of the invested in capital assets, net of related debt based on the elimination entries.

Note **: This tab includes informational totals that show what amounts are reported on the FST and/or Elimination Entries to FST tabs for unamortized bond issuance expense and short-term debt (lines of credit) line items.

For additional guidance on this calculation, see GASBS No. 34 and the Comprehensive Implementation Guides.

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TAB 3, Capital Assets: Parts 4.1 to 4.3 for GASBS No. 42

Purpose

The purpose of GASBS No. 42 is to provide reporting guidance for the following: impairment of capital assets, and all insurance recoveries (not just recoveries for impaired capital assets).

Overview of Requirements

Financial Statement Template Reporting:

- **Recognize Impairment Loss: Capital assets permanently impaired during fiscal year 2007:** The capital asset must be written down by the impairment loss amount. Any insurance recoveries recognized during the year for the impaired capital asset must be netted with the impairment loss. These losses should be reported as program expense-loss on sale/disposal/impairment of capital assets, special item, or extraordinary item
- **Insurance Recoveries:** For any insurance recoveries that are for prior year capital asset impairments and/ or all other reasons (i.e. theft, embezzlement of cash, etc.), report these recoveries as program revenue-operating grants & contributions, program revenue – capital grants & contributions, or an extraordinary item.

Footnote Disclosures:

- **Impairment Losses:** The footnotes must include a general description, the amount and the financial statement template line item.
- **Idle Permanently and/or Temporarily Impaired Capital Assets:** The carrying amount of temporarily and/or permanently impaired capital assets that are idle as of year-end must be disclosed.
- **All Insurance Recoveries:** The footnotes must include the amount and financial statement template line item for **all** insurance recoveries (not just for impaired capital assets).

Other Considerations:

- For any capital assets that do not meet the impairment test, the remaining useful life and salvage value may need to be reevaluated and changed on a prospective basis.

Refer to GASBS No. 42 for additional guidance. Also, see section titled Appendix 1: GASBS No. 42 Example Entries in these instructions.

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TAB 3, Capital Assets: Parts 4.1 to 4.3 for GASBS No. 42, continued

Instructions:
Part 4.1

This part is to identify potential impairments as follows:

- A) **Possible Impairment of Capital Assets:** As of June 30, 2007, did the institution have an event* or change in circumstances* that may indicate an impairment of a capital asset as described in GASBS No. 42? If yes, provide a description, month/year it took place, the possible impaired capital assets, and then go to B. If no, go to Part 4.3.

Note*: This must be a prominent event or circumstance that is conspicuous or known to the institution. It is expected to have been discussed by the board, management, or media. Common indicators of impairment include the following:

- Physical damage (i.e. fire, flood)
- Enactment or approval of laws/regulations or other changes in environmental factors
- Technological development or evidence of obsolescence
- Change in the manner or expected duration of a capital asset
- Construction stoppages (i.e. lack of funding)

- B) **Impairment Test:** If yes to A, is the decline in service utility of the capital asset significant **and** unexpected? If yes, go to C. If no, go to 4.3.

Note: If this test indicates an impairment has not occurred, the estimated useful life and salvage value may need to be reevaluated and changed. This should be accounted for on a prospective basis.

- C) **Permanent Impairment:** If yes to A and B, is the impairment considered permanent? If yes, go to D. If no, go to 4.2.

Note: Generally, an impairment should be considered permanent; however, in some cases it may be considered temporary. If it is considered temporary, the capital asset should not be written down. See GASBS No. 42 for additional guidance.

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TAB 3, Capital Assets: Parts 4.1 to 4.3 for GASBS No. 42, continued

Instructions:
Part 4.1,
continued

D) Financial Statement Template Reporting & Footnote Disclosure: If yes to A, B, and C, has the impairment loss and related insurance recoveries (if applicable) been properly reported on the FST in accordance with GASBS No. 42? If **no**, provide an explanation. If **yes**, provide the following: impairment loss, insurance recoveries recognized in fiscal year 2007 included in the net impairment gain/(loss) calculation, and the FST line item that the net gain/(loss) on the impairment is reported on.

Notes: For **impaired capital assets that will continue to be used by the institution**, the impairment loss that should be written off should be measured by one of the following methods: restoration cost approach, service units approach, or deflated depreciation replacement cost approach. For **impaired capital assets that will no longer be used by the institution or capital assets impaired from construction stoppage**, they should be reported at the lower of carrying value or fair value.

Loss on capital assets that became permanently impaired during fiscal year 2007 must be reported on the financial statement template as program expenses—loss on sale/disposal/impairment of capital assets, extraordinary item, or special item. Use professional judgment to determine the appropriate FST line item.

Also, per GASBS No. 42 paragraph 21, if insurance recoveries are received in the same year as the impairment loss, the impairment loss should be reported net of the associated insurance recovery. Also, per GASBS No. 42 paragraph 17 - footnote 6, this guidance also applies to insured impairments that result in an accounting gain.

Note: For FY 2006, there was a beginning net asset line item to report a restatement because of implementing GASBS No. 42. This line item has been removed from this section since any restatements because of GASBS No. 42 implementation should have been reported last year.

**Part 4.2, Idle
Capital Assets –
Temporarily or
Permanently
Impaired**

Any permanently and/or temporarily impaired capital assets that are idle as of year-end must be disclosed. Provide the carrying amount of any permanently and/or temporarily impaired capital assets as of year-end.

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TAB 3, Capital Assets: Parts 4.1 to 4.3 for GASBS No. 42, continued

**Part 4.3, Other
Insurance
Recoveries**

For any insurance recoveries that are not reported in Part 4.1 D, provide the amount and financial statement template line item. Also, provide a description.

Note: This includes current year insurance recoveries for capital assets impaired in prior years. It also includes all other insurance recoveries. (i.e. recoveries for embezzlement of cash, theft). Insurance recoveries should be reported on the financial statement template as program revenue-operating grants & contributions, program revenue-capital grants & contributions, and / or extraordinary item. Use professional judgment to determine the appropriate FST line item.

Footnote Information for Foundation(s) (TABS F1 through F10)

Background

The foundation footnotes differ from HEI footnotes because foundation(s) follow FASB rather than GASB. HEIs are **not** expected to convert foundation FASB footnotes into GASB footnotes; however, there will be some additional information needed from foundations in order to report information in the CAFR. TABS F1 through F10 are to gather selected foundation footnote information for the CAFR.

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Footnote Information for Foundation(s) (TABS F1 through F10), continued

TAB F1

Tab F1, Cash, Cash Eqv, and Inv, include the following for the foundations:

- Part 1) Answer questions regarding cash and cash equivalents (including restricted cash and cash equivalents).
 - Part 2a) Record the fair value of investments (including restricted investments). There are two columns to record footnote elimination entries to foundation investment and restricted investment amounts reported on the Combining FST and/or the Elimination Entries to FST. Also, there is a total after all elimination entries. "ERROR" messages will appear if totals do not agree to the appropriate tabs. Check figures have been added in red to help determine why an "ERROR" message appears.
 - Part 2b) State whether any amounts reported in Part 2a are reported at cost rather than fair value.
 - Part 3a) State whether the foundation has any investments in LGIP. If yes, complete TAB F2, SNAP & LGIP.
 - Part 3b) State whether the foundation has any investments in SNAP. If yes, complete TAB F2, SNAP & LGIP.
-

TAB F2

TAB F2, SNAP & LGIP: If the foundation has any investments in the State Non-Arbitrage Program (SNAP) or the Local Government Investment Pool (LGIP) during the year or at year-end, provide the account numbers and year-end balances. The Combining FST line item for these amounts must be provided. A drop-down list is provided with the following line items:

- Part 1) LGIP amounts: Cash & Cash Equivalents
 Restricted Cash & Cash Equivalents
- Part 2) SNAP amounts: Restricted Cash & Cash Equivalents
 Restricted Investments

The SNAP amounts should be reported on the "Restricted" line items because balances represent unspent bond proceeds. Judgment must be used to determine if any LGIP amounts should be reported on the "Restricted" line items. (See Checklist tab item 9 for further guidance.)

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Footnote Information for Foundation(s) (TABS F1 through F10), continued

TAB F3

TAB F3, Receivables, include the following for the foundations:

Part 1) **Receivables, Net** must have the gross amount of accounts receivable, **loans/mortgage receivable (revised category)**, **interest receivable (new category)**, other receivables, allowance for doubtful accounts, and the net amount expected to be collected in greater than one year. The HEI may need to require this additional information from the foundation if the foundation's Statement of Financial Position and /or footnotes do not clearly indicate the type of receivable, gross and allowance amounts, and the net amount expected to be collected in greater than one year. Also, a description must be provided for "Other Receivables."

There are two columns to record footnote elimination entries to foundation receivable amounts reported on the Combining FST and/or Elimination Entries to FST.

Part 2) **Contributions Receivable, Net** must have the following disclosures: amount due in less than one year, amount due between one and five years, amount due in more than five years, present value discount, allowance for uncollectible contributions, and discount rate used to determine present value.

There are two columns to record footnote elimination entries to foundation contribution receivable amounts reported on the Combining FST and/or the Elimination Entries to FST. Also, there is a total after all elimination entries.

"ERROR" messages will appear if certain amounts do not agree to the amounts reported on the Combining FST and/or Elimination Entries to FST tabs. Check figures have been added in red to help determine why an "ERROR" message appears.

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Footnote Information for Foundation(s) (TABS F1 through F10), continued

TAB F4

TAB F4, Capital Assets, include the following for the foundations:

Provide year-end capital asset amounts by category, gross amounts, and accumulated depreciation amounts. There are two columns to record footnote elimination entries to foundation capital asset amounts reported on the Combining FST and/or the Elimination Entries to FST. Also, there is a total after all elimination entries.

“ERROR” messages will appear if certain amounts do not agree to the amounts reported on the Combining FST and/or Elimination Entries to FST tabs. Check figures have been added in red to help determine why an “ERROR” message appears.

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Footnote Information for Foundation(s) (TABS F1 through F10), continued

TAB F5 & F5.1 **TAB F5 and F5.1, LT Liabilities:** TAB F5 has a **new Part 5** to obtain a description for amounts reported on the **Long-term Liabilities – Other** line items. In addition, the TAB F5 has four parts to obtain descriptions, payees, and outstanding balances of the following for the foundations:

- Part 1) Notes Payable
- Part 2) Bonds Payable
- Part 3) Capital Lease Obligations
- Part 4) Installment Purchase Obligations

TAB F5.1 also has four parts, but it is to obtain future payments on the above long-term liabilities. The future payments are for the next five years and then a total for all years thereafter. Capital asset balances must be provided for any capital assets purchased with the capital leases.

TAB F5.1: There are two columns to record footnote elimination entries to the applicable foundation line items reported on the Combining FST and/or the Elimination Entries to FST. Also, there is a total after all elimination entries.

“ERROR” messages will appear if certain amounts do not agree to the amounts reported on the applicable tabs. Check figures have been added in red to help determine why an “ERROR” message appears.

Note: TAB F5 has been revised from the previous year. Parts 1 and 2 had asked for original issue date, original issue amount, interest rates, and maturity dates. This information is no longer needed.

TAB F6 **TAB F6, Commitments,** include the following:

- Part 1) Provide information on operating lease agreements.
- Part 2) Provide information on any other commitments reported by the foundation as of year-end.

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Footnote Information for Foundation(s) (TABS F1 through F10), continued

TAB F7

TAB F7, Miscellaneous, include questions in the following categories:

- | | |
|----------------|--|
| Part 1) | General |
| Part 2) | Restricted Cash and Cash Equivalents, Restricted Investments, Other Restricted Assets |
| Part 3) | Split-Interest Agreements |
| Part 4) | Contingent Liabilities |
| Part 5) | Subsequent Events |
| Part 6) | Significant Intrafund Balance/Activity Amounts not Eliminated because of Different Year-End Dates* |
| Parts 7a & 7b) | Other Assets & Other Restricted Assets** |
| Part 8) | Other Liabilities** |

Note*: Part 6 has been expanded to state whether any intrafund balance/activity among the foundations reported on the Combining FST could not be eliminated because of differing year-ends.

Note **: “ERROR” messages will appear if certain amounts do not agree to the amounts reported on the applicable tabs. Check figures have been added in red to help determine why an “ERROR” message appears.

Note: Prior year's Part 9, Calculation of Invested in Capital Assets, Net of Related Debt, has been removed. This calculation must be provided on the new TAB F10, Inv in Cap Assets.

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Footnote Information for Foundation(s) (TABS F1 through F10), continued

TAB F8

TAB F8, Intrafund: This must be completed if **both** of the following conditions are met.

1. The foundation has a December 31st year-end.
2. The HEI and the foundation(s) have significant intrafund balance/activity amounts reported on the FST that have not been eliminated because of different fiscal years or the foundations reported on the Combining FST have significant intrafund balance/activity amounts reported on the Combining FST that have not been eliminated because of different fiscal years.

If both conditions are met, provide the FST line items and amounts that were not eliminated. Item 2 above was expanded this year to include any significant intrafund balance/activity amounts among the foundations that cannot be eliminated because of different fiscal years. Also, there are two parts on this tab to report the foundation (Part 1) and HEI (Part 2) amounts that cannot be eliminated.

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Footnote Information for Foundation(s) (TABS F1 through F10), continued

TAB F8,
continued

Additional Information: Approximately three institutions have one or more foundations with a calendar year-end. This makes the elimination entries a little more complicated. Any significant intrafund activity/balances that are not eliminated because of different year-ends, must be disclosed on TAB F8. Below is an example of how activity/balances should be reported on the Attachment HE-10 for FY 2007:

Significant intrafund balances reported on the Statement of Net Assets

HEI / Foundation	As of 12/31/2006	As of 6/30/2007
Foundation (calendar year-end)	Disclose on TAB F8 – Part 1	n/a
HEI (fiscal year-end)	n/a	Disclose on TAB F8 – Part 2

Significant intrafund activity reported on the Statement of Activities

HEI / Foundation	1/1/2006 to 6/30/2006	7/1/2006 to 12/31/2006	1/1/2007 to 6/30/2007
Foundation (calendar year-end)	Disclose on TAB F8 – Part 1	Record on Elimination Entries to FST tab (Foundation column)	n/a
HEI (fiscal year-end)	n/a	Record on Elimination Entries to FST tab (HEI column)	Disclose on TAB F8 – Part 2

In addition, if there is significant intrafund balance/activity amounts among the foundations reported on the Combining FST that are not eliminated because of differing year-ends, that information must also be provided on the TAB F8.

TAB F9

TAB F9, Short-term Debt, complete the following parts:

Part 1) Short-term Debt line item

Part 2) Long-Term Liabilities – Bond Anticipation Notes Payable line items

The following information is no longer required: date issued, amount issued, interest rates, expiration/maturity date. “ERROR” messages will appear if certain amounts do not agree to the amounts reported on the applicable tabs. Check figures have been added in red to help determine why an “ERROR” message appears.

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Footnote Information for Foundation(s) (TABS F1 through F10), continued

TAB F10	This new tab is to document the calculation of the invested in capital assets, net of related debt. This line item is calculated as follows: Total capital assets less debt related to capital assets plus unspent debt proceeds plus unamortized bond issuance expenses. This is similar to TAB 9 for the HEI. See instructions for TAB 9.
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Checklist

Checklist tab	After amounts and information have been entered on all applicable tabs, the Checklist tab must be completed. This tab is to ensure completeness and propriety of amounts reported. Some changes have been made to this tab from the prior year. This tab should be read prior to entering information into the attachment. It should be completed after all tabs except the Certification tab is completed.
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Appendix 1: GASBS No. 42 – Example Entries

The examples below are for a building that was impaired because of a fire. The following examples do not include restoration or replacement costs which should be reported as a separate transaction from the impairment loss and associated insurance recovery.

	Impairment loss (prior year)	Impairment loss (current year)	Insurance Recovery (current year)	Net Gain/(Loss) on impairment (current year)
Example 1		(200,000)	150,000	(50,000)
Example 2		(200,000)	250,000	50,000
Example 3		(200,000)	0	(200,000)
Example 4	(200,000)	0	150,000	

Below are example FST entries for the current year from the above examples

Example 1:

Cash	150,000	
Extraordinary item (net loss) (see Note A)	50,000	
Accumulated depreciation-buildings		200,000

Example 2:

Cash	250,000	
Extraordinary item (net gain) (see Note B)		50,000
Accumulated depreciation-buildings		200,000

Example 3:

Extraordinary item (see Note A)	200,000	
Accumulated depreciation-buildings		200,000

Example 4:

Cash	150,000	
Extraordinary item (Note C)		150,000

Note: For example 4, since the insurance recovery was not recognized in the same year as the impairment loss, the insurance recovery is not netted with the impairment loss for the current year. Also, the \$200,000 impairment loss should have been recorded in the prior year.

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Appendix 1: GASBS No. 42 – Example Entries, continued

Note A: Depending on the circumstances of the impairment, the other FST line items that this loss could be reported on are as follows:

- Expenses-Loss on Sale/Disposal/Impairment of Capital Assets
- Special Item

Note B: Depending on the circumstances of the impairment, the other FST line items that this gain could be reported on are as follows:

- Gain on Sale/Disposal/Impairment of Capital Assets
- Special Item

Note C: Depending on the circumstances of the impairment, the other FST line items that this insurance recovery could be reported on are as follows:

- Program Revenue-Operating Grants & Contributions
- Program Revenue-Capital Grants & Contributions

As a reminder, per GASBS No. 34 the definitions of extraordinary items and special items are as follows.

- Extraordinary item: Transactions or events that are **both** unusual in nature and infrequent in occurrence.
 - Special item: Transactions or other events **within the control of management** that are either unusual in nature **or** infrequent in occurrence.
-

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Financial Statement Template

Appendix 1: GASBS No. 42 – Example Entries

The following provides guidance on how to report the example entries on the TAB 3:

Example 1: Record on TAB 3 Part 4.1 D as follows:

Financial Statement Template line item:	Impairment loss \$ (record as a negative)	Insurance Recovery \$ included in the net impairment gain/(loss) calculation (record as a positive)	Net Gain/(loss) on Impairment
Expenses-Loss on Sale/Disposal/Impairment of Capital Assets			
Special Item			
Extraordinary Item	-200,000	150,000	-50,000
Gain on Sale/Disposal/Impairment of Capital Assets			

Example 2: Record on TAB 3 Part 4.1 D as follows:

Financial Statement Template line item:	Impairment loss \$ (record as a negative)	Insurance Recovery \$ included in the net impairment gain/(loss) calculation (record as a positive)	Net Gain/(loss) on Impairment
Expenses-Loss on Sale/Disposal/Impairment of Capital Assets			
Special Item			
Extraordinary Item	-200,000	250,000	50,000
Gain on Sale/Disposal/Impairment of Capital Assets			

Example 3: Record on TAB 3 Part 4.1D as follows:

Financial Statement Template line item:	Impairment loss \$ (record as a negative)	Insurance Recovery \$ included in the net impairment gain/(loss) calculation (record as a positive)	Net Gain/(loss) on Impairment
Expenses-Loss on Sale/Disposal/Impairment of Capital Assets			
Special Item			
Extraordinary Item	-200,000		-200,000
Gain on Sale/Disposal/Impairment of Capital Assets			

Example 4: Record on TAB 3 Part 4.1 D as follows:

Financial Statement Template line item:	Impairment loss \$ (record as a negative)	Insurance Recovery \$ included in the net impairment gain/(loss) calculation (record as a positive)	Net Gain/(loss) on Impairment
Expenses-Loss on Sale/Disposal/Impairment of Capital Assets			
Special Item			
Extraordinary Item			
Gain on Sale/Disposal/Impairment of Capital Assets			

Example 4: Record on TAB 3 Part 4.3

Financial Statement Template line item	Other Insurance Recoveries \$
Program Revenue - Operating Grants and Contributions	
Program Revenue - Capital Grants and Contributions	
Extraordinary Item	150,000

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